



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2009 Biennium

Bill #	HB0486
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Title:	Revise requirements for motor vehicle liability insurance
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Primary Sponsor:	Beck, Bill
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Status:	As Introduced - Corrected
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| <input checked="" type="checkbox"/> Significant Local Gov Impact | <input checked="" type="checkbox"/> Needs to be included in HB 2 | <input checked="" type="checkbox"/> Technical Concerns |
| <input type="checkbox"/> Included in the Executive Budget | <input type="checkbox"/> Significant Long-Term Impacts | <input type="checkbox"/> Dedicated Revenue Form Attached |

FISCAL SUMMARY

	<u>FY 2008 Difference</u>	<u>FY 2009 Difference</u>	<u>FY 2010 Difference</u>	<u>FY 2011 Difference</u>
Expenditures:				
General Fund	\$724,919	\$408,967	\$405,374	\$420,387
Revenue:				
General Fund	\$0	\$0	\$0	\$0
Net Impact-General Fund Balance	<u>(\$724,919)</u>	<u>(\$408,967)</u>	<u>(\$405,374)</u>	<u>(\$420,387)</u>

Description of Fiscal Impact:

HB 486 requires motor vehicle insurance cancellation notification be made to the Department of Justice (DoJ) and that information be available to law enforcement. Operating costs for the DoJ will increase for personnel to complete this manual record documentation. There is also a cost associated with some technology updates needed to accommodate this legislation.

FISCAL ANALYSIS

Assumptions:

Department of Justice – Motor Vehicle Division (MVD)

1. It is assumed that the provisions of this bill indicate that the Department of Justice must track insurance cancellations on vehicles and that information must be made available to law enforcement through the Criminal Justice Information Network (CJIN System).
2. There are 1,029,552 motor vehicles registered in CY 2006 in Montana that would be required to show proof of motor vehicle liability insurance coverage upon registration of the motor vehicle. Assuming a 2.4% annual increase, it is anticipated that there would be 1,079,532 vehicles in FY 2008; 1,105,441 in FY 2009; 1,131,972 in FY 2010; and 1,159,139 in FY 2011.

3. Insurance industry data indicates that 30% of motor vehicle insurance policies are cancelled annually (either the coverage is terminated or a policy is replaced with a different policy). Thus, the Department of Justice would receive approximately 242,895 motor vehicle liability insurance policy cancellation notices in FY 2008 (1,079,532 x 30% x .75 year); 331,632 in FY 2009 (1,105,441 x 30%); 339,592 in FY 2010; and 347,742 in FY 2011 (1,159,193 x 30). Since HB 486 has no specified effective date, it is assumed that this bill would be effective October 1, 2007, and would result in a 25% reduction in the number of cancellation notices received in FY 2008.
4. It is assumed the tracking of the insurance cancellation notices will be a manual process since there is no requirement for an electronic interface. Thus, assuming 5 minutes are required to process and enter each cancellation notice in a motor vehicle record, 9.73 FTE will be needed in FY 2008 to handle these transactions ((242,895 notices x 5 min./notice / 60 min/hr / 2080 hrs); 13.25 FTE in FY 2009 (331,362 notices x 5 min./notice / 60 min/hr / 2080 hours); 13.50 FTE in 2010 (339,592 notices x 5 min/notice / 60 min/hr / 2080 hours); and 14.00 FTE in 2011 (347,742 notices x 5 min/notice / 60 min/hr / 2080 hours). Salary and benefits for a year for a data processing clerk is \$26,111; therefore, personal services would be approximately \$254,060 in FY 2008 for 9.73 FTE; \$345,971 in FY 2009 for 13.25 FTE; \$352,499 in FY 2010 for 13.5 FTE; and \$365,554 in FY 2011 for 14.00 FTE.
5. Operating costs for supplies, network communications, and rent are estimated at \$38,109 in FY 2008; \$51,896 in FY 2009; \$52,875 in FY 2010; and \$54,833 in FY 2011.
6. Expenses for a new employee office package are \$1,375 and a new pc is \$1,400 for a total of \$2,775 for each new employees. One-time operating expenses are estimated at \$27,750 for 10 positions in FY 2008; \$11,100 for 4 additional new positions in FY 2009.

Assumptions:

Department of Justice – Information Technology Services Division

7. A change order request to the 3M/Bearing Point contract is estimated at \$405,000 for approximately 2,700 hours that would include:
 - Design sessions to design the record exception for cancellation notices
 - Create/update design documentation including cases, business rules, and configuration tables
 - Create the ability to record insurance cancellation
 - Thoroughly test/validate updated code & configuration tables
 - Revise associated documentation, correspondence and reports

	<u>FY 2008 Difference</u>	<u>FY 2009 Difference</u>	<u>FY 2010 Difference</u>	<u>FY 2011 Difference</u>
<u>Fiscal Impact:</u>				
FTE	9.75	13.25	13.50	14.00
<u>Expenditures:</u>				
Personal Services	\$254,060	\$345,971	\$352,499	\$365,554
Operating Expenses	\$470,859	\$62,996	\$52,875	\$54,833
TOTAL Expenditures	\$724,919	\$408,967	\$405,374	\$420,387
<u>Funding of Expenditures:</u>				
General Fund (01)	\$724,919	\$408,967	\$405,374	\$420,387
<u>Revenues:</u>				
General Fund (01)	\$0	\$0	\$0	\$0
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>				
General Fund (01)	(\$724,919)	(\$408,967)	(\$405,374)	(\$420,387)

Effect on County or Other Local Revenues or Expenditures:

1. Local governments may see an increase in the amount of fines for failure to provide proof of motor vehicle liability insurance.

Technical Notes:

1. This bill provides that an insurer shall notify the Department of Justice within two weeks of the cancellation of a motor vehicle insurance coverage. The provisions of this bill indicate that the Department of Justice must track insurance cancellations on vehicles and that information must be available to law enforcement. Without electronic interface, it would be labor intensive to apply cancellation status to the vehicle record via manual process. Additionally the department may also encounter considerable difficulty matching vehicle record information with information provided by an insurer on a notice of cancellation.
2. It is unclear how notification is received by the department when motor vehicle liability insurance coverage for a motor vehicle has been obtained or replaced with a different policy. There is no provision for the removal of the insurance cancellation information in the motor vehicle record.
3. This bill does not require that the motor vehicle liability insurance information is captured at the time of registration or provide any mechanism for changing cancellation status if the customer left one insurer for another for whatever reason – (no lapse in coverage, just changing provider). This bill does not amend registration renewal statute (61-3-312, MCA) to require submission of proof upon renewal.
4. Another issue is gaps in coverage due to periodic non-use of a vehicle that may be in storage (i.e., a motor home that is not used in the winter months), or a motor vehicle undergoing an extensive rebuilding process. Additionally, there does not appear to be a mechanism for those motor vehicles that are permanently registered to show proof of insurance or process to record a change of insurer to avoid the insurance cancellation notice on the motor vehicle record.
5. 1-2-201, MCA, provides that statutes imposing fees and taxes for motor vehicles take effect on the first day of January following passage and approval of the legislation unless a different time is prescribed in

the legislation. If the effective date of this bill is amended, the fiscal note for FTE, personal services, and operating costs would change for FY 2008.

6. The Montana Highway Patrol has a concern about the effectiveness and timeliness of requiring the Motor Vehicle Division to notify law enforcement of cancelled policies.
7. If the owner of a vehicle changes insurance companies and allows the original policy to lapse, could that person inadvertently be placed on the cancelled policy list and subject to a vehicle stop by law enforcement? What would be the legality of that stop in that instance?

Sponsor's Initials

Date

Budget Director's Initials

Date